

CALIFORNIA ENERGY COMMISSION

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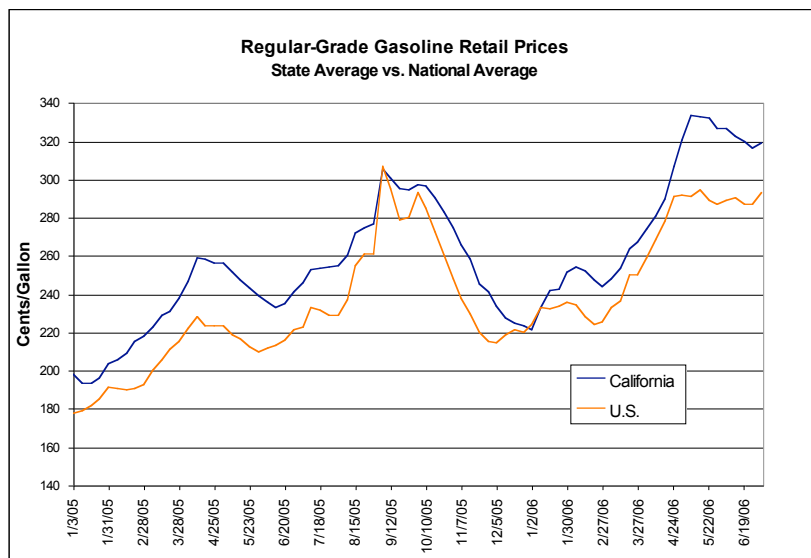
Main website: www.energy.ca.gov

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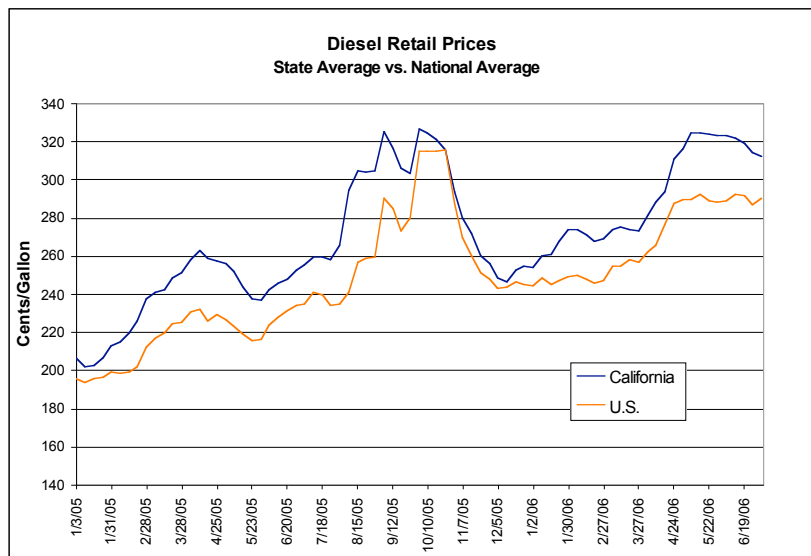
Consumer Information: www.ConsumerEnergyCenter.org

**Petroleum Watch****July 7, 2006*****Retail Gasoline and Diesel Prices on July 3***

- The average statewide **retail price for regular-grade gasoline** increased by approximately 3 cents per gallon this week to \$3.19 per gallon, 14 cents less than the record high of \$3.33 on May 8.ⁱ
- The difference between California and U.S. retail gasoline prices narrowed to 26 cents per gallon because of a larger increase in national prices.



- The average California **retail diesel price** continued to decline, dropping 2 cents from the previous week to \$3.12 per gallon. The U.S. retail diesel price, on the other hand, increased by 3 cents. As a result, the difference between California and U.S. prices fell to 22 cents per gallon.

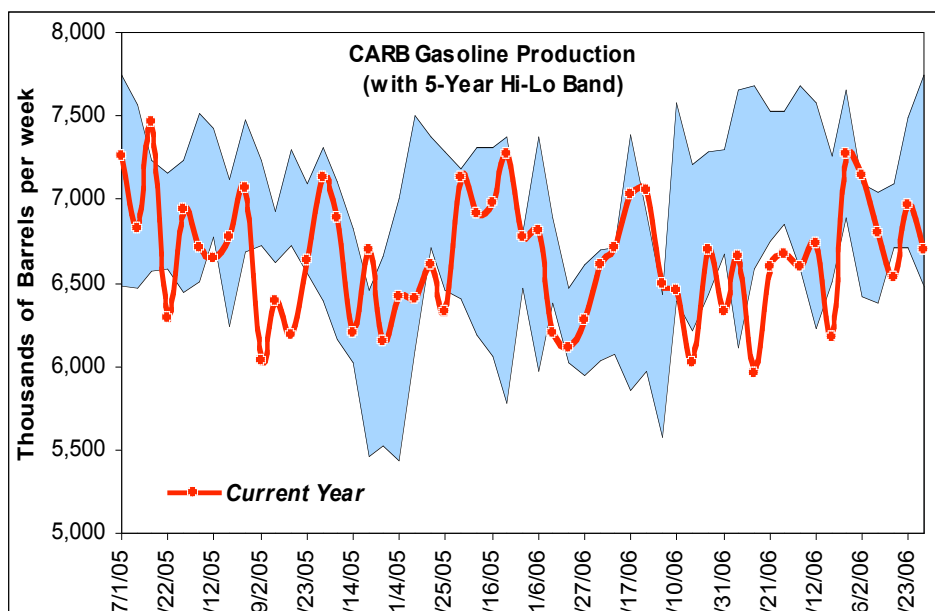


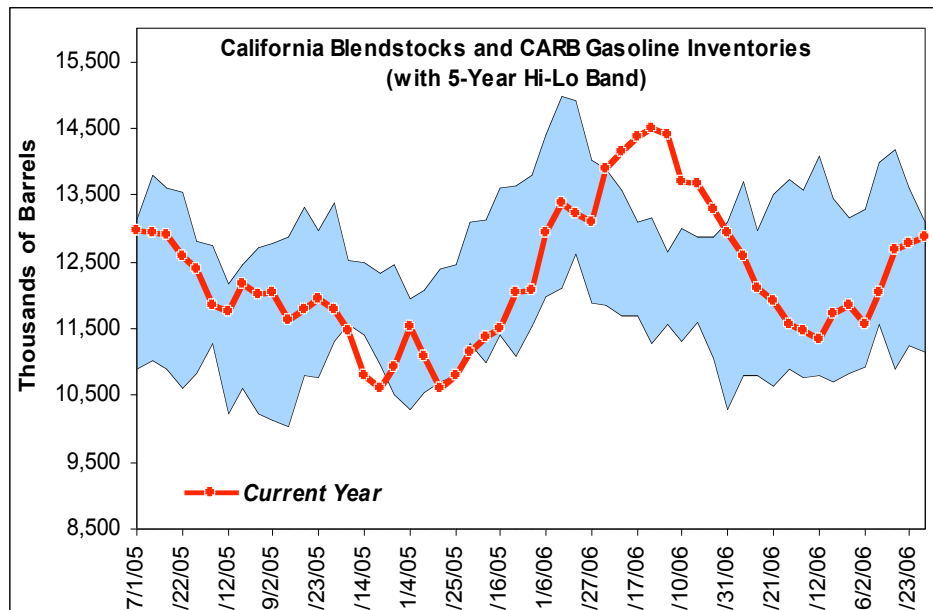
Wholesale Gasoline and Diesel Prices on July 5

- California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) rose steadily during the last week to \$2.60 per gallon, 9 cents more than on June 27. Prices are 37 cents lower than the record high of \$2.97 on May 2 but \$1.04 more than the 2006 low of \$1.56 on February 14.
- Rising crude oil prices, increasing gasoline demand, and a decrease in refinery production nationwide have pushed California RBOB spot prices up from last week.
- The difference between spot prices for RBOB in California and New York Harbor remained at 18 cents per gallon from last week, while the difference compared to the Gulf Coast fell slightly to 14 cents.
- California spot **wholesale low-sulfur diesel prices** were largely unmoved from last week at \$2.26 per gallon, 42 cents lower than the record high of \$2.68 on May 3.
- The difference between California and Gulf Coast wholesale low-sulfur diesel prices narrowed to 5 cents more in Los Angeles, 9 cents less than on June 27.
- The difference between California gasoline and diesel spot prices decreased slightly at the end of last week and then rose sharply to 34 cents more for gasoline, an increase of 9 cents from June 27.
- The Energy Information Administration (EIA) weekly assessment for June 30 reports that **U.S. gasoline demand** grew 1.1 percent from the previous week, while distillate demand rose 0.8 percent. The four-week average demand for gasoline is 9.51 million barrels per day, 0.3 percent more than last year. The four-week average for U.S. distillate demand is 4.1 million barrels per day, unchanged from last year.

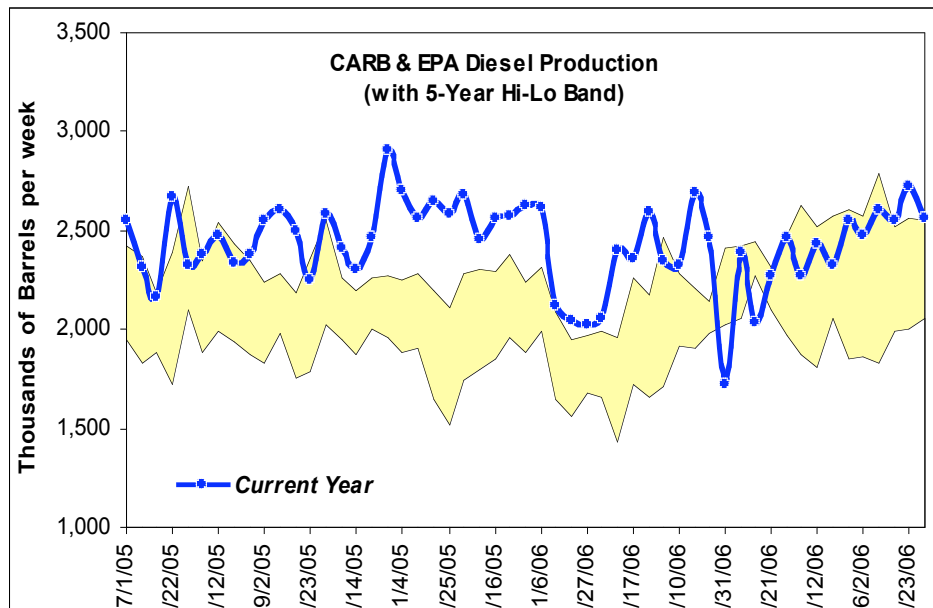
Refinery Production and Inventories

- Reformulated **gasoline production** in California during the week ending June 30 dropped 3.7 percent from the previous week to 6.7 million barrels. With some output lost during the week to unplanned outages, California reformulated gasoline production fell back to the lower end of the five-year range.ⁱⁱ
- Despite the decline in production, California reformulated **gasoline inventories** grew 1.7 percent from the previous week while gasoline blendstock inventories were unchanged. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased 0.7 percent** to 12.86 million barrels and are near the upper end of the five-year range.
- Despite increased gasoline demand and lower production, U.S. gasoline inventories increased to 213.1 million barrels as of June 30. This largely unexpected build of 727,000 barrels was due primarily to a sharp increase in gasoline imports.

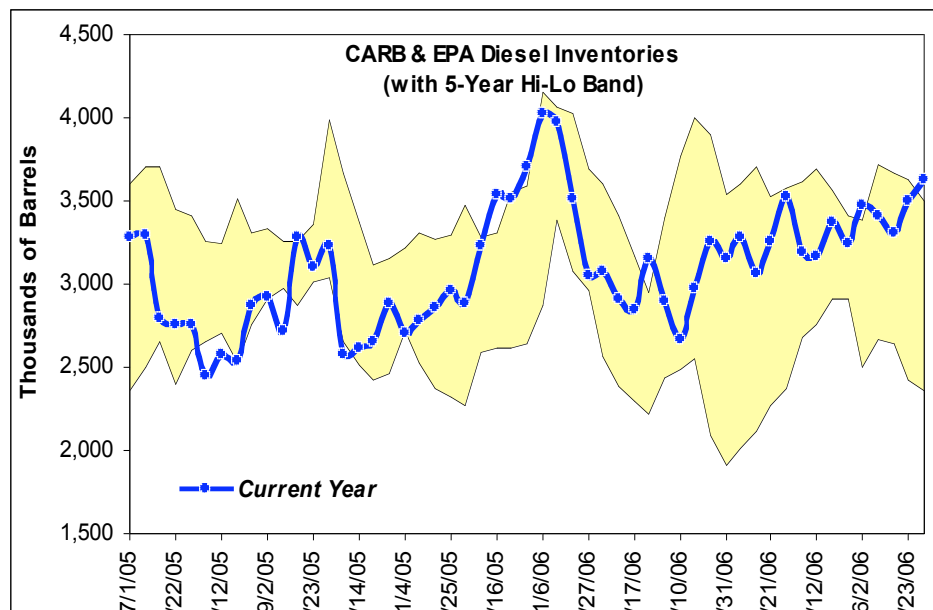




- California low-sulfur **diesel production** during the week ending June 30, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, fell 5.7 percent from the previous week to 2.57 million barrels on planned refinery maintenance and unplanned outages. However, output remained at the upper end of the five-year range for the week.



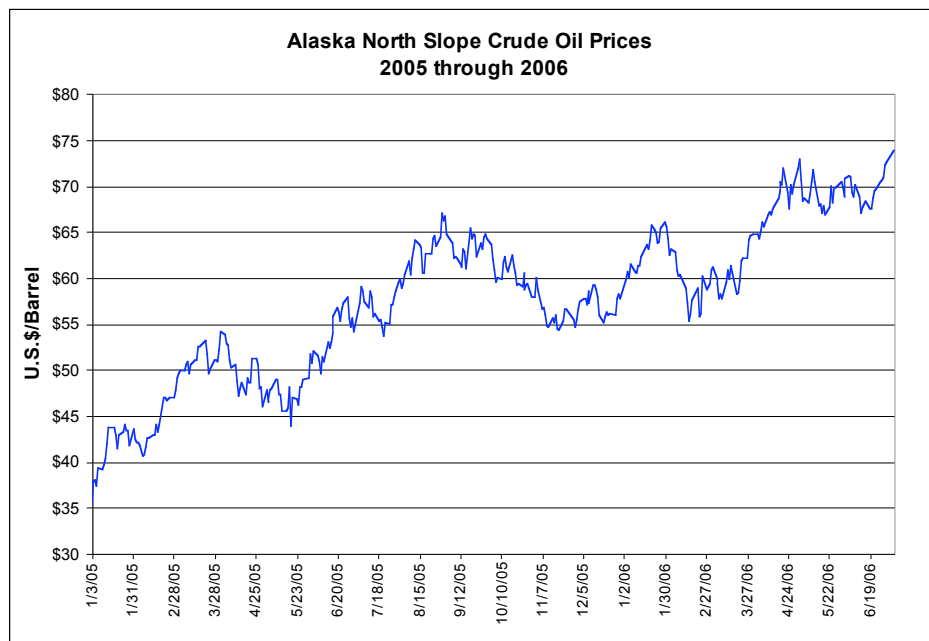
- Despite the production decrease, combined low-sulfur **diesel inventories** in California grew 3.7 percent from the previous week to 3.63 million barrels and exceed the upper end of the five-year range. Total U.S. distillate inventories as of June 30 increased to 127.3 million barrels, 1 million barrels higher than the previous week and 10.1 million gallons more than last year.



- Alon USA has announced separate agreements to purchase Paramount's 54,000 barrel-per-day refinery in Paramount, California, and other smaller western facilities, as well as a 24,000 barrel-per-day topping plant in Long Beach from Edgington. The Paramount refinery and Long Beach plant will be integrated operationally as a single facility. The Federal Trade Commission is gathering information from Alon USA as part of its investigation of the proposed transaction.

Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, climbed to a new record high over the last week. The slow pace at which Iran is reviewing the proposal from the European Union and United States aimed at constraining its nuclear ambitions is creating further diplomatic tensions. North Korea went forward with its planned test missile launches, a Norwegian oil worker strike is reducing that country's output slightly, and Russia is planning to hike oil export duties in August. In this country, the Coast Guard has only partially re-opened the Calcasieu Ship Channel below Lake Charles in Louisiana closed due to an oil spill two weeks ago. This situation, along with various refinery outages and strong gasoline demand for the long July 4 holiday weekend, have helped push up petroleum commodity prices. Traders were also expecting weekly EIA inventory statistics, released on July 6, to show continuing crude oil and gasoline stock draws, despite loans of Strategic Petroleum Reserve crude oil to several refineries in the Lake Charles region. As a consequence of these factors, ANS oil prices reached a record \$73.89 per barrel on July 5, a gain of \$5.31 over the last two weeks.ⁱⁱⁱ



- With lower crude oil inputs to refineries, U.S. commercial crude oil inventories as of June 30 fell 2.4 million barrels to 341.3 million barrels. The closing of the Calcasieu Ship Channel was partly responsible for both the lower crude oil inputs and the lower crude oil inventories as it limited deliveries of oil and reduced fuel production in the area. However, stocks are still 16.4 million barrels higher than last year.

ⁱ Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

ⁱⁱ California refinery production and inventory information are from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

ⁱⁱⁱ ANS crude oil prices are from *The Wall Street Journal*.